

April 18, 2001

City of College Station, Texas  
1101 Texas Avenue  
College Station, Texas 77840-2499

Bond Counsel Services

Ladies and Gentlemen:

We are very pleased to serve as bond counsel ("Bond Counsel") in connection with the issuance of bonds, notes and other obligations (collectively referred to herein as the "Bonds") issued by the City of College Station, Texas (the "City").

The purpose of this letter is to set out in writing our fees and the scope of our duties in connection with the issuance of the Bonds by the City, and to outline our responsibilities in connection with any such engagement.

As Bond Counsel we would perform a specialized legal service. The tasks which this firm would undertake would be those necessary to rendering an opinion to the effect that the Bonds have been authorized, issued, and delivered in accordance with the Constitution and laws of the State of Texas, constitute valid and legally binding obligations of the City, and that the interest on said Bonds is exempt from Federal income taxes under existing statutes, regulations, rulings, and court decisions. In particular, we would prepare and direct the legal proceedings and perform the other necessary legal services with reference to the authorization, issuance, and delivery of such Bonds, including the following:

1. Preparing documents calling any bond election, notice thereof, and canvassing the results, and submitting election documents to the United States Justice Department for preclearance purposes under the federal Voting Rights Act.
2. Preparing all instruments pursuant to which Bonds will be authorized, secured, sold, and delivered in consultation with the City Council, the City staff, the City's financial advisor, and other officials and consultants of the City.
3. Attending meetings of the City Council and meetings with the City staff to the extent required or requested by the City Council, the City Manager or the Director of Fiscal Services.
4. Attending meetings with prospective bond purchasers and meetings with rating agencies or credit enhancers to the extent required or requested; and, if so requested, render appropriate opinions relating to agreements and other documents governing the issuance of credit enhancements, such as lines or letters of credit.



5. Cooperating with the City and its consultants in the preparation of official statements or other securities laws disclosure documents, including review of the information therein describing the Bonds, the security therefor, the summary of the authorizing document pertaining to the issuance of the Bonds, and the federal income tax status thereof.

6. Cooperating with the City and its consultants in reviewing documents prepared for submission to national and/or state repositories with respect to the City's responsibilities under Rule 15c2-12 promulgated by the Securities and Exchange Commission.

7. Submitting the Bonds to the Attorney General of the State of Texas for approval and obtaining the registration of the bonds by the Comptroller of Public Accounts of the State of Texas, as required by law.

8. Supervising the printing, execution, and delivery of the Bonds to the purchasers.

9. When so delivered, rendering an opinion covering the validity of the Bonds under Texas law and the tax exempt status of the interest thereon under federal income tax laws, and to that end prepare all relevant documents necessary to assure compliance with the federal income tax laws relating to the issuance of tax-exempt bonds, including, without limitation, the preparation of Form 8038-G.

10. Providing continuing advice concerning such subjects as arbitrage and rebate matters, the application of bond proceeds, new developments in the law concerning bond issues, and changes in industry practices.

The services described above to be provided as Bond Counsel do not include any responsibility for investigating the financial condition and affairs of the City or any organization for which the City may issue Bonds. Our approving legal opinion as Bond Counsel will contain a paragraph substantially to the effect that we have acted as Bond Counsel for the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exemption of the interest on the Bonds from Federal income taxes, and for no other reason or purpose. That paragraph of our opinion will also disclose that we have not been requested to investigate or verify any record, data, or other material relating to the financial condition or capabilities of the City or the organization for which the Bonds are issued, and have not assumed any responsibility with respect thereto. The services to be provided as Bond Counsel do not include the direct responsibility for litigation matters.

We will, upon request of the City, undertake such services as may be necessary to assist the City in satisfying the continuing disclosure requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission, and effective as to Bonds sold on and after July 3, 1995. Additionally, should it be necessary for the firm to do so, we will render a written opinion with respect to any matters relating to the compliance requirements of Rule 15c2-2.

The fees covering the legal services of this firm incurred in connection with the issuance and delivery of Bonds by the City will be \$5,000 for up to the first \$1 million in principal amount of Bonds issued, and \$0.75 per \$1,000 principal amount of the Bonds issued in excess of \$1 million. Also, we would expect to be reimbursed for our actual out-of-pocket expenses reasonably and necessarily incurred in connection with the authorization, issuance, and delivery of each series or issue of Bonds.

Our fee and expenses for each series or issue of Bonds would be payable at the time of delivery of and payment of such Bonds and would come from the proceeds from the sale of the Bonds. Our fees would be wholly contingent upon actual delivery of a series or issue of Bonds. Our federal taxpayer identification number is 75-0799392.



The fee quoted for the foregoing legal services as Bond Counsel is not inclusive of the fee covering the legal services to be performed by the firm in connection with the issuance of refunding bonds by the City. Such fee for legal services shall be negotiated by us and the City prior to the issuance of any such series of refunding bonds.

The fees and out-of-pocket expenses incurred with respect to the performance by our firm of services rendered in a capacity outside our customary role as Bond Counsel, such as in connection with on-going compliance by the City with the provisions of Rule 15c2-12 of the Securities and Exchange Commission, the review of compliance by the City with federal income tax laws (other than in connection with the delivery of Bonds), as well as miscellaneous legal services requested by the City and its staff, will be billed to the City on a monthly basis, as incurred by the firm. These services would be provided upon specific authorization from the City. Any fees so incurred would be charged on an hourly basis at the customary billing rates for the attorneys of our firms working on the matter. The hourly rates to be charged range from \$175 to \$275 an hour, depending upon the attorney working on the matter; the hourly rate of the undersigned shall be billed at the rate of \$250 per hour. Such services will be performed only upon the request of City staff, and we will advise the City Attorney's office of the estimated amount of time and expense we would anticipate will be incurred as a result of the performance of such services.

With respect to obligations issued by issuers acting on behalf of the City, we will perform the same level of services as outlined in paragraphs 1 through 10, above. Our fees shall be negotiated by us and the City prior to the issuance of any such series of bonds, notes or other obligations.

Except as hereinafter provided, the term of this agreement will expire on May 1, 2002, unless the City determines to extend this agreement for such period as agreed upon by the parties hereto. If the City so extends this agreement as provided above, the term of this agreement shall expire upon the end of the extension period. This agreement shall be terminable at will by either of the parties upon giving the other party thirty (30) days written notice of such termination.

If the arrangement proposed herein is satisfactory, it is requested that your understanding of the above be evidenced by the signature of the City Manager on three copies of this letter in the place provided. Please return one copy of this letter to undersigned for our files.

Sincerely yours,

McCALL, PARKHURST & HORTON L.L.P.

Jeffrey A. Leuschel

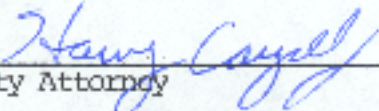
ACCEPTED this the \_\_\_\_ day of \_\_\_\_\_, 2001.

CITY OF COLLEGE STATION, TEXAS

By:

Tom Brymer  
City Manager

Approved:

  
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City Attorney